

**TECHNICAL-COOPERATION LOAN FOR A
PROGRAM TO SUPPORT THE TOURISM SECTOR**

(PN-0120)

EXECUTIVE SUMMARY

BORROWER: Republic of Panama

EXECUTING AGENCY: Panamanian Tourism Institute (IPAT)

AMOUNT AND SOURCE: IDB (ordinary capital):US\$2,500,000
Local counterpart contribution: US\$1,084,000
Total: US\$3,584,000

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period:25 years
Disbursement period:3 years
Interest rate:Variable
Inspection and supervision:1%
Credit fee:0.75%
Currency:U.S. dollars, Single Currency Facility

OBJECTIVES: The overall objective of this program is to provide the Republic of Panama, through IPAT, a strategy for stimulating private sector participation in the tourism industry. The specific objectives are to implement a strategy for the development of a tourism industry that is economically, environmentally, culturally and socially sustainable; restructure IPAT to facilitate and regulate tourism activities; and, in the long term, increase sector revenues and diversify the economy and regional employment.

DESCRIPTION: The program consists of three components: (1) strategic market study, (2) institutional restructuring of IPAT, and (3) environmental planning and monitoring, community participation and economic analysis.

**PROJECT'S PLACE
IN THE BANK'S
STRATEGY:** A fundamental factor in this strategy of the Bank's is the restructuring of IPAT, since it seeks to assist the private sector in developing a modern, efficient and environmentally sustainable tourism industry. The Bank, by means of its technical and financial support of the country's social and economic reform process, will give special attention to institutional restructuring and incentives to the private sector.

**ENVIRONMENTAL AND
SOCIAL REVIEW:** The Environmental Committee's findings include: (i) the cumulative effects of the carrying capacity

study; (ii) the strategic approach to the policy-making, regulatory and administrative framework; (iii) the separation of gender-based data, including female participation in the community study; and (iv) the selection criteria used for community participation; this reimbursable technical-cooperation funding project does not support any investment that would directly affect the environment. However, the social and environmental dimension (participation by the community and women) is the topic of one of the studies being proposed in order to ensure the sustainability of the tourism strategy and the specific projects emanating therefrom.

BENEFITS:

The proposed operation would have the following benefits: (a) a strategic marketing plan geared to market segments likely to succeed; (b) institutional restructuring of IPAT, with the mission of facilitating foreign and national investments, and effectively coordinating with public and private institutions as well as nongovernmental organizations; and (c) socially and environmentally sustainable tourism projects, while establishing a basic framework and clear ground rules for private sector and community participation.

RISKS:

The following risks have been identified: (a) institutional restructuring and policy and regulatory changes can be undermined by resistance to change or the rejection of tourism by society or other institutions. This risk can be reduced by an effective system of communication, information and participation by the public and business sectors and communities; and b) proposed studies in this program might have no follow-up as a result of internal resistance.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The following specific conditions will be included in the contract:

a. Condition precedent to first disbursement

? Establishment of a Program Coordinating Unit (paragraph 3.3)

b. Other conditions

? Retroactive financing (paragraph 3.7)

? Obligations of the program coordinator (paragraph 3.4).

The technical-cooperation loan agreement will contain

the other standard Bank terms for this type of operation, as well as covenants pertaining to inspections, maintenance, procurement of goods and contracting of consultants.

**POVERTY-TARGETING
AND SOCIAL
CLASSIFICATION:**

Notwithstanding the fact that the program is focusing its activities on geographical areas with a large proportion of low-income inhabitants, the program is not poverty-targeted.

**EXCEPTIONS TO
BANK POLICY:**

None.

PROCUREMENT:

The Bank's current procedures will apply to the contracting of consulting firms, individual consultants, technical services over US\$200,000, and the procurement of goods over US\$250,000.